

**Comments on SB 437**  
**Senate Energy & Technology Committee**  
**October 8, 2015**

Good afternoon, Chairman Nofs, Vice Chairman Proos, Vice Chairman Hopgood, and members of the committee. I am Gregory Howe, and I am Vice President and Executive VP-Purchasing of Dunn Paper, Inc. Thank you for the chance to testify here today on behalf of my company in support of Senate Bill 437.

Dunn Paper, Inc. is a leading manufacturer in specialty papers for high performance, niche applications. We offer dry wax, uncoated, coated, tissue and towel papers for use in a variety of applications. Dunn Paper was founded in Port Huron in 1924, and we have recently purchased 5 additional plants in the U.S. and Canada. We have served our customers for nearly a century. We are proud to produce some of the finest papers in the world. Dunn Paper has an international presence, but our company remains driven by our community values at each of our locations.

The topic of energy is something Dunn Paper has been addressing for some time. We have been actively working to reduce energy consumption and increase our savings annually. We partnered with Efficiency United to develop energy optimization strategies. At Dunn Paper, we continue to seek cost-effective routes to optimize building performance. We developed a multi-phase energy implementation plan. This multi-phase plan allows for mechanical upgrades for paper machines, as well as steam heat recovery. Projects for 2015 are currently under evaluation for additional condensate recovery.

Today I would like to discuss the importance of energy reform to Dunn Paper. We at Dunn Paper are no strangers to the energy debate. We have expressed passion for the topic of energy for some time, and now it has become an even more complex issue as we decide which location to run when manufacturing our products. Our factories are expansive – they require massive quantities of electricity to maintain production. Corporate-wide, we use approximately 281 Gigawatt Hours of electricity per year, and in Michigan we use over 96 Gigawatt Hours per year. Annually our corporate electric bill is over \$28,000,000.

Therefore, I would first like to focus on the necessity for predictable, stable electric rates. At Dunn Paper we are very proud of our Michigan heritage. Based in Port Huron, we take pride in making our community a better place to live and work. We are proud of how far Michigan has come since the recession in 2008. But at the end of the day, we are a business, and we have to think about what makes sense. Today we have the option of moving our production to our mills anywhere in the country. We schedule the production of our mills based on cost, so electric rates play a huge role in determining where our mills operate. Volatile prices would destroy our success. If the rates frequently fluctuate, the stability of our business would be at risk. We need certainty!

The long-term predictability of our electric rates is essential. Many of our clients are on continuing contracts predicated on cost. Their prices cannot be changed even if our expenses fluctuate. Therefore, stable electricity expenses help drive the success of our business. We cannot play games with this.

We operate our paper machines only where we can foresee our company succeeding and growing. When our company and companies like ours are successful, Michigan is successful. We provide jobs, wealth, and investment in Michigan. Its companies like ours that play a vital role in the Michigan economy. For Dunn Paper to remain and grow in Michigan we need to be assured of stable, affordable electric rates.

Second, I would like to focus on the issue of reliability. A reliability issue would be disastrous to our production. Even if brief outages occur, our business instantaneously suffers. Every machine would be halted, stalling the production lines. Efficient, consistent, and quality production is what makes our business a success. Energy prices are only one factor in determining where we serve. Reliability is also essential.

We have been a long-time customer of DTE Energy, and we have a great relationship with them – both as a customer and as a fellow community leader. We have enjoyed the rate stability and dependability that DTE offers. Dunn Paper pays a special, interruptible rate through DTE. This means that on days the region may be short on power, DTE can disrupt our service in order to protect grid reliability. We haven't been interrupted since 1992, so this interruptible rate was never something we had to worry about. But MISO now predicts a nearly 2 Gigawatt shortfall as early as 2020. Due to the looming capacity shortfall, the chance of our electric supply being interrupted increases. Many other mid-size businesses just like ours are on the same interruptible industrial rate. Our power would all be disrupted during peak times to protect the reliability of the grid.

The Michigan Legislature must address this impending capacity shortfall immediately. Because of the capacity shortfall, retail energy marketers can no longer depend on the excess capacity on the grid to serve their customers. These retail energy marketers should be responsible for the energy needs of their customers. They must be able to demonstrate sufficient planning to take care of their customers in the coming years. Whether through acquisition or building of new plants, these retail marketers must exhibit adequate physical capacity for all of their customers. As an interruptible rate customer, we need the necessary base-load generation to be located in Michigan. We cannot rely on the energy leftovers from other states when there is a capacity shortfall on the horizon.

Dunn Paper is very focused on its manufacturing process. We provide high paying jobs in each community where we are located, use our natural resources in an efficient manner, and maintain costs controls over those areas that are under our control. The price and stability of supply of electricity is under your influence. If we all plan to "Grow Michigan" through more employment and create a higher standard of living, we need to have a stable supply. Please consider our company and companies like ours when you make your decisions. We are asking for the assurance of stable rates and dependability. Michigan can only address this through energy policy reform. I am proud to be here and proud to be a Michigander. And I look forward to seeing Michigan thrive in years to come. Thank you. I look forward to answering any questions.